Testimony of Steven D. Hill

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Subcommittee on Federal Workforce and Agency Organization

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Mr. Chairman, members of the subcommittee, good afternoon. My name is Steve Hill and I am the President of Silver State Materials Corp. Silver State Materials supplies concrete and sand and gravel in the greater Las Vegas area and is the largest privately held concrete supplier in the state.

Additionally, I am the Chairman of Government Affairs for the Associated Builders & Contractors of Las Vegas and the Associated General Contractors of Las Vegas and am the incoming Chairman of Government Affairs for the Las Vegas Chamber of Commerce, the third largest Chamber of Commerce in the country representing nearly 7000 businesses.

Silver State Materials Corp.

Silver State Materials owns and operates over 110 concrete and aggregate hauling trucks, several dozen smaller vehicles and more than a dozen pieces of heavy equipment (mostly front-end loaders and generators) from 7 locations in Southern Nevada. We have 200 employees earning an average wage in excess of $50,000 per year.

Silver State purchases approximately 140,000 gallons of fuel each month – predominantly diesel fuel, although some gasoline is purchased for smaller vehicles. Additionally, our suppliers of cement, fly ash, aggregate and other requirements consume a very similar amount of fuel in order to transport their products to our production facilities. This does no include the "upstream" fuel used by our suppliers during their production processes, nor does it include their suppliers' fuel demands.

The following is a recent history of Silver State's fuel costs:

2004 Budgeted fuel price	$1.50/gallon
2004 Actual fuel price	$1.89/gallon
2005 Budgeted fuel price	$1.75/gallon
January through March fuel price	$1.99/gallon
April through July fuel price	$2.27/gallon
August fuel price	$2.71/gallon
September and October fuel price	$2.94/gallon
Highest fuel price paid – late September	$3.52/gallon
2005 Average actual fuel price	$2.41/gallon

Virtually all of Silver State's suppliers have implemented fuel surcharges to compensate for the additional cost of fuel and are typically implemented when the cost of fuel exceeds $1.75 per gallon. These fuel surcharges operate somewhat differently, but the general premise is that the quoted price for transportation contains a maximum fuel price of $1.75 per gallon and the customer will pay all of the fuel expense over and above that amount.

As our suppliers use approximately the same amount of fuel as Silver State uses in its operations, the effect on our company is a doubling of the impact of rising fuel costs.

Silver State provides price quotations to our customers well in advance of materials actually being purchased – often 9 to 12 months in advance. Our customers rely on those prices to bid work and enter into contracts based on those prices.

Silver State has the option of attempting to pass these sudden cost increases on to our customers. However, we have chosen not to implement a fuel surcharge in 2005. In practice, many of our customers would not be able to pass a fuel surcharge on to their customers. We believe that we make a profit when we help our customers make a profit. We simply do not want to take money from our customers' pockets in order to put in into ours.

Silver State has, however, issued price quotations for all new projects with an anticipated fuel price of $2.65 per gallon.

If the average price for fuel remains at $2.41 per gallon through the end of 2005, the ultimate additional cost to Silver State Materials, as compared to our budget, will be approximately $2,200,000. To put that amount into perspective, that equates to over $11,000 per employee – more than our total cost of providing health care to those same employees.

Obviously, our industry and our company are heavily fuel dependent. However, the rapid escalation of fuel costs, and the spike in fuel prices following Hurricane Katrina, has certainly had a substantial impact on most businesses.

Silver State Employees

Silver State's employees are fortunate to work in the vibrant economic climate of Las Vegas and to work in an industry that provides wages and benefits well above local and national averages.

Rising gasoline prices, however, still provide a hardship for our employees – a hardship not easily compensated for in the short run. Due to the unpredictable nature of concrete delivery scheduling, employee schedules – both at the beginning and ends of shifts - are not consistent, limiting the opportunity for ride-sharing. Furthermore, concrete production facilities are often not near public transportation routes.

In order to help employees with their transportation to and from work, Silver State recently implemented a program to allow employees to transfer to production locations closer to their homes.

Additionally, with employees that will allow their home locations to be published, we are posting this information in order to enable employees who live close to each other to explore the opportunity of ride-sharing.

Several employers in Las Vegas offer a reimbursement for mass transit passes. Our Regional Transportation Commission has a program called Club Ride that encourages and facilitates carpooling and other alternatives. The Chamber of Commerce is providing information on these and other fuel saving methods, including telecommuting and hybrid vehicle options and tax incentives.

Potential Initiatives for Relief and Improvement

A vibrant economy producing high-quality jobs is the best way to combat the many financial issues facing families. A continued focus on economic growth is certainly the best initiative for dealing with rising fuel costs.

While rapidly rising fuel costs are a hardship on businesses and their employees and may bring cries of price "gouging" and calls for immediate relief, I encourage Congress to show restraint when contemplating price controls, price subsidies or punitive action. The unintended consequences of these actions may have a more detrimental effect on the situation than no action at all. Additionally, policy decisions that alter consumer choices as they relate to vehicle selection and home location may serve to drive up fuel demand in the future.

With that being said, there are several specific initiatives that could be considered to help reduce the burden of rising fuel costs for businesses and their employees.

1. **Education**

   As can be seen from Silver State's budgeting examples, many businesses struggle to accurately project the price of fuel. For businesses, the unanticipated cost increases are much more problematic than those cost increases that are anticipated. Predictability of fuel prices is important to businesses, and any assistance the federal government could provide in the area of forecasting would be helpful.

2. **Encourage increased rail capacity**

   Rail usage, at least in the southwest, is at or near maximum capacity. Many supplies in several industries are trucked in from bordering states. Discussions with rail companies regarding bringing those supplies in on rail have been fruitless due to the lack of additional capacity. As the southwest region continues to grow, this problem will only worsen.

3. **Alternative fuels**

   Many strides have been made in developing alternative fuels and vehicles that can accept those fuels. Those efforts should continue to be encouraged, both to relieve our dependence on fossil fuels and as an important economic development tool. Additionally, the infrastructure required to deliver these alternative fuels must be expanded. Federal assistance in this area would accelerate the use of these fuels.

   In the heavy trucking and construction industries, alternative fuels are not as widely accepted due to the largely unknown effects of these fuels on large diesel engines and the subsequent loss of warranty from truck engine manufacturers.

Efforts by the federal government, working in conjunction with engine manufacturers, to allow alternative fuel use in large equipment would help to speed acceptance.

4. Workforce Housing

In many communities across the country, and certainly in Las Vegas, housing prices have risen substantially, making it difficult for employees that work in those communities to live in those communities. Workers often are faced with the decision to move farther away from their jobs in order find attainable housing, increasing their commute. In Southern Nevada this situation is exacerbated by the fact the federal government owns virtually all of the land surrounding the Las Vegas valley. Land prices have increased 200% in the last two years due to the decreasing supply of land and bedroom communities are springing up in the nearest locations available – 50 or more miles from Las Vegas. Providing additional land contiguous to or near, but outside of, the disposal boundary outlined in the Southern Nevada Public Lands Management Act would not only greatly lessen the commute for many Las Vegas employees, it would also provide some equilibrium to land and housing prices inside the disposal boundary.

5. Mixed Use and Transit Oriented Development

Many communities, especially in the west, have been built to the scale of the automobile. As these communities continue to grow, it is important to encourage development that enables people to live near where they work and live near easy access to mass transit opportunities. Clark County recently adopted Mixed Use ordinances and is in the process of structuring a plan to expand its' mass transit system to strategically link people and jobs. These types of initiatives should be embraced and encouraged.

6. Encourage or facilitate loaner fleets

One reason some people choose not to use mass transit is the possibility they may have an unexpected occurrence that requires immediate use of a car. If loaner or inexpensive rental fleets of cars could be provided in centers of major employment, more people may choose mass transit.

7. Revisit weight restrictions

The states and the federal government may want to revisit the laws governing gross vehicle weights for large trucks. These weight restrictions are in place to protect our roads, not for safety reasons. Depending on the cost of the additional damage to our roadways and the future cost of fuel, providing an option to trucking companies of higher fees in exchange for higher payloads may make sense. In addition to increased fuel efficiency, productivity would be increased and traffic congestion would decrease.

8. **Industrial pockets**

State and local governments should be encouraged to provide strategically placed locations in which industry is encouraged. Construction and other industrial supplies are necessary to every community and will be delivered from some location. Heavy industry is often pushed to the far reaches of communities, lengthening delivery routes. Ensuring those locations are appropriate and efficient will help decrease fuel consumption and congestion.

I would like to thank you for the opportunity to be here this afternoon to discuss this important subject. If you have any questions, I would be pleased to answer them.